



Federal Communications Commission

Eligible Telecommunications
Carrier Issues

June 26, 2008

You Rule.

OVERVIEW

- Virgin Mobile USA, L.P. is seeking limited designation as an Eligible Telecommunications Carrier (ETC) to enable it to participate in the Lifeline program.
 - Virgin Mobile has sought forbearance of the facilities-based requirement contained in Section 214(e)(1)(A) of the Act.
 - Virgin Mobile has filed petitions for ETC designation in six states with the FCC.
 - Virgin Mobile will not seek high-cost support funding.
- Participation in the Lifeline program would enable Virgin Mobile to offer Lifeline-subsidized and discounted services and handsets to eligible low-income consumers
- Virgin Mobile's request is similar to the recently approved request of TracFone Wireless.
- There has been minimal initial opposition to Virgin Mobile's requests.



VIRGIN MOBILE USA

- Began operation as a 50/50 joint venture of Sprint Nextel and Sir Richard Branson's Virgin Group in July 2002.
- Pioneered the mobile virtual network operator model in the United States.
- Since commencing service, Virgin Mobile has become the seventh largest wireless carrier in the United States with over five million customers.
 - Many Virgin Mobile customers are from lower-income households that previously lacked any access to an attractive wireless service.
 - Many Virgin Mobile customers are lower-usage customers.
 - Average Virgin Mobile customer ARPU = approx \$20/month.
 - Average postpaid carrier ARPU = approx. \$50/month.



SIGNIFICANT ACHIEVEMENTS

- Over five million customers in five years, the most customers of any US MVNO.
- Recognized by J.D. Power and Forrester for outstanding service, customer satisfaction and customer care.
 - In both 2006 and 2007, Virgin Mobile was the sole recipient of the J.D. Power and Associates award for Wireless Prepaid Customer Satisfaction.
 - 92% customer satisfaction rate.
 - 91% of customers would recommend service to a friend.
 - PC Magazine awarded Virgin Mobile its Readers Choice award in 2006 and 2007.
- Over 40,000 distribution points and 140,000 Top-Up Card locations, including Wal-Mart, Target, K-Mart, Best Buy and Radio Shack.
 - Named Wal-Mart Supplier of the Year.



VIRGIN MOBILE LIFELINE - BACKGROUND

- Virgin Mobile filed a Petition for Forbearance from enforcement of the Section 214(e)(1)(A) facilities requirement in December 2007.
- Petitions for ETC designation filed:
 - Massachusetts (June 2008); New York (December 2007); North Carolina (April 2008); Pennsylvania (December 2007); Tennessee: (April 2008); Virginia (December 2007).
- Virgin Mobile's ETC requests are similar to the requests of TracFone Wireless, which the FCC approved in April 2008.
 - Virgin Mobile will abide by the conditions placed on TracFone for approval of forbearance and ETC designation requests.



VIRGIN MOBILE LIFELINE – ETC DESIGNATION

- Virgin Mobile's participation in the Lifeline program would serve the interests of its lower-income customers—the same customers that the USF program was designed to benefit.
 - 35 percent of Virgin Mobile's customers have annual household incomes below \$35,000.
- Virgin Mobile's prepaid service offerings are ideally suited to serve these customers with reliable and affordable service.
- ETC designation would drive wireless penetration rates higher in this underserved customer segment.



VIRGIN MOBILE LIFELINE – ETC DESIGNATION (cont'd)

- The affordability of wireless services has become a challenge for many lower-income customers.
 - In a deteriorating economy, many existing wireless customers have to forego wireless services because they can no longer afford them.
 - Major postpaid carriers tightening credit standards, squeezing out lower-income customers.
- Designation of ETC status to prepaid wireless providers like Virgin Mobile should help to close the widening gap for wireless services and provide low-income customers with the significant advantages associated with access to quality wireless services.
 - As noted in a recent study sponsored by MIT, low-income customers receive significant economic and social benefits from wireless services, including enhanced productivity, increased economic opportunity, and broader access to 911 and safety services.



VIRGIN MOBILE LIFELINE – ETC DESIGNATION (cont'd)

- Designation of ETC status to Virgin Mobile should have minimal impact on USF expenditures and does not infringe on the FCC's recent decision to cap high-cost support.
- Unlike high-cost support, designation of multiple ETCs for Lifeline purposes has no adverse impact on Lifeline funding since Lifeline support is customer-specific.
- While reform efforts have properly focused on high-cost funding mechanisms, Virgin Mobile believes that the FCC should dedicate additional effort to fostering increased access by lower-income customers to telecommunications services, especially wireless services.



VIRGIN MOBILE LIFELINE - CONCEPT

- Minutes: 150 anytime rollover minutes (no expiration).
 - \$0.20/additional minute
 - \$0.10/text message
- Price: Free to eligible customers.
- Extras: Free voice mail, call waiting, etc.
- Handset: Standard retail rates; free refurbished handset.
- Long-Term Contract: None.



VIRGIN MOBILE LIFELINE - OUTREACH

- Virgin Mobile will implement the FCC's guidelines for outreach efforts to increase awareness of its Lifeline offer:
 - Social Service Agencies:
 - Target locations where consumers receive benefits that make them eligible for Lifeline.
 - Coordinate efforts with public and private assistance organizations.
 - Develop outreach efforts for non-English speaking consumers.
 - Retail:
 - Increase awareness of Lifeline offer at existing third-party retail outlets through brochures, starter guides, etc.
 - Existing Customers:
 - Raise customer awareness of Lifeline offer through targeted marketing (e.g., SMS, email)
 - Re*Generation Partners:
 - Use charitable partners to distribute handsets and increase awareness.



VIRGIN MOBILE LIFELINE - BENEFITS

- A recent MIT study demonstrates that mobile communications are a critical factor in improving the financial and social well-being of lower-income consumers
 - ETC designation would enable these customers to receive the financial and social benefits associated with wireless service
- Virgin Mobile's own internal research confirms that, in difficult economic times, half of its customers who terminated service did so for financial reasons, not to use a competitive service
 - The USF Lifeline program would directly assist many existing Virgin Mobile customers to continue receiving uninterrupted wireless service



VIRGIN MOBILE LIFELINE - NEXT STEPS

- Virgin Mobile requests that the FCC expeditiously approve its pending Petition for Forbearance and ETC applications.
- Expedited FCC approval will enable the company to finalize its business and marketing plans to enable the company to commence its Lifeline offering as soon as possible.

